

Message Text

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PAGE 01 DUBLIN 01029 031604Z

61
ACTION EUR-25

INFO OCT-01 ADP-00 AID-20 EB-11 NSC-10 RSC-01 CIEP-02

TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

DODE-00 PM-07 H-03 L-03 PA-03 PRS-01 USIA-15 RSR-01

/167 W
----- 000350

R 031500Z AUG 73
FM AMEMBASSY DUBLIN
TO SECSTATE WASHDC 4898
INFO AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY BONN
AMEMBASSY BRUSSELS
USMISSION EC BRUSSELS
AMEMBASSY THE HAGUE
AMEMBASSY LUXEMBOURG
AMEMBASSY ROME
AMEMBASSY COPENHAGEN
USMISSION OECD PARIS

UNCLAS DUBLIN 1029

E.O. 11652: N/A
TAGS: EFIN, EI
SUBJ: IRISH BANKS INCREASE RATES TO RECORD LEVELS

1. MAJOR IRISH COMMERCIAL BANKS HAVE ANNOUNCED INCREASES IN
LENDING RATES BY 1.5 PERCENT FROM CLOSE OF BUSINESS AUGUST 3.
NEW RATE PERCENTAGE STRUCTURE AS FOLLOWS:

OVERDRAFTS
AND TERM
LOANS OF A
YEAR ORF TERM LOANS LOAN
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L LESS 1-3YRS 3-5YRS 5-7YRS ACCOUNTS

A	10.25	10.75	11.25	11.75	12.25
AA	11	11.5	12	12.5	13
AAA	11.75	12.5	13.25	13.75	14.5

AAA - BORROWERS ARE THE GOVERNMENT, LOCAL AUTHORITIES AND LARGE INDUSTRIAL COMPANIES.

AA - BORROWERS ON THE PREFERENTIAL RATE SUCH AS CHARITIES AND SCHOOLS.

A - OTHER BORROWERS INCLUDING PERSONAL BORROWERS.

2. SPECIAL (LOW) RATE UNDER WHICH BANKS LEND MONEY UNDER CAPITAL EXPORTS SCHEME ALSO GOING UP BY ONE PERCENT TO 7 PERCENT.

3. DEPOSIT RATES ALSO GOING UP, WITH RATE ON DEPOSITS OF UNDER 25,000 POUNDS STERLING INCREASED TO 7 PERCENT AND TO 9 PERCENT ON DEPOSITS OVER 25,000 POUNDS.

4. LENDING RATE INCREASED AS RESULT RECENT ESCALATION IN BRITISH RATES, IN ORDER PREVENT HAEMORRHAGE IN CAPITAL FLOW FROM IRELAND TO BRITAIN.

5. DIRECTOR GENERAL OF CONFEDERATION OF IRISH INDUSTRIES SAID RAISE IN LENDING RATES CAME AT PARTICULARLY BAD TIME, WHEN MANY INDUSTRIES HAD DIFFICULTY ALREADY IN FINANCING PURCHASES OF RAW MATERIALS FROM ABROAD, AS COSTS WERE RISING RAPIDLY BUT FINISHED PRODUCT PRICES ARE TIGHTLY CONTROLLED. HE ALSO NOTED THAT RISE IN RATES WOULD DELAY DECISION BY INDUSTRY TO INVEST IN NEW PLANT NECESSARY TO MAINTAIN COMPETITIVENESS OR EXPAND, AND THUS WOULD TEND TO HALT DECLINE IN UNEMPLOYMENT. (UNEMPLOYMENT IN JUNE FEEL TO 6.7 PERCENT OF INSURED POPULATION. LOWEST LEVEL IN 2 YEARS.) OTHER COMMENTATORS EXPRESSED FEARS THAT MORTGAGE RATES WOULD RISE TO CRIPPLINGLY HIGH LEVELS. IRISH PRESS URGED THAT SOME WAY BE FOUND TO REDUCE IRISH DEPENDANCE ON FLUCTUATIONS IN BRITISH ECONOMIC FORTUNES AND NOTED MAIN EFFECT OF RISES WOULD BE TO CONTRIBUTE UNCLASSIFIED

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TO ALREADY VICIOUS CIRCLE OF INFLATION.
MOORE

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NNN

Message Attributes

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30 JUN 2005

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